

VZCZCXRO7175

PP RUEHAG RUEHBI RUEHCI RUEHDBU RUEHLH RUEHNEH RUEHPW RUEHROV RUEHSR

DE RUEHAH #0559/01 1220557

ZNY CCCCC ZZH

P 020557Z MAY 09 ZDK

FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2753

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 5147

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2891

RUEHKO/AMEMBASSY TOKYO PRIORITY 2756

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3391

RHMFIS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000559

SIPDIS

SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 04/27/2019

TAGS: [PGOV](#) [PREL](#) [ECON](#) [ETRD](#) [EINV](#) [EFIN](#) [TX](#)

SUBJECT: TURKMENISTAN'S FINANCIAL SITUATION SOLID, AND
MAJOR PROJECTS TO MOVE FORWARD

ASHGABAT 00000559 001.4 OF 002

Classified By: Charge d'Affaires Ambassador Richard Miles for reasons 1
.4 (b) and (d).

11. (C) SUMMARY: Deputy Assistant Secretary George Krol met with Deputy Cabinet Chairman for Economy and Finance Tuvakmammet Japarov on April 22, and discussed the global financial crisis and its impact on Turkmenistan, goals for the national economy, and development plans. According to Japarov, the Turkmen government is in solid financial condition, and plans to move forward on all of its ambitious and expensive development plans for the oil and gas sector and the nation's infrastructure. Although aware of partner countries' financial belt-tightening, Turkmenistan does not appear to have any substantive plans to curb spending or delay any major projects. However, it is unlikely the government would ever acknowledge any economic challenges brought on by the crisis. Certainly, Turkmenistan can expect its export figures--and oil and gas profits in particular--to decline this year, and it is uncertain how the government will respond. END SUMMARY.

GLOBAL CRISIS? WE NOTICED, BUT NO PROBLEMS

12. (C) Deputy Assistant Secretary George Krol met with Deputy Cabinet Chairman for Economy and Finance Tuvakmammet Japarov on April 22, and discussed the global financial crisis and its impact on Turkmenistan, goals for the national economy, and development plans. Deputy Chairman Japarov was general in his comments regarding the global financial crisis. He said the government is improving its ability to control expenditures. Due to other countries' economic issues, he noted that it is harder now to assure that Turkmenistan's exports exceed its imports. Some partners, he said, were cutting their expenses, and sought to cut down on their imports. Still, he claimed that Turkmenistan's macroeconomic situation was normal, and the government is

expecting continued increases in trade turnovers. "We don't think there is any need to engage in protectionism," he added. The GDP is expected to continue to grow at about 10 percent per year, he said. He said that the Stabilization Fund had been established not long ago, and will be used to maintain appropriate social "cushions" for the population, which still enjoys a wide range of subsidies. The government, however, is becoming more careful in monitoring production at state enterprises, and is analyzing production data on a weekly basis now from government factories, especially those in the oil and gas sector that make a significant contribution to the government's bottom line.

13. (C) Japarov noted that regardless of any impact the global financial crisis has on the country's export activity, the government is firm in its policy that strong social supports should be maintained. There were no plans to cut jobs in government enterprises, economic entities would "maintain control of inflation," and existing subsidies the population enjoys now will continue. For the Turkmen government, he said, "the social issue is more important than the economic issue." Japarov admitted that inflation in the past year had undermined the government's effort to increase salaries and pensions, and said he would like to improve its ability to stay ahead of inflation.

14. (C) Japarov said the effort to re-denominate the national currency was going well, and that they had replaced some 80 percent of circulating old currency with the new. He denied that there were any internal drivers that cause the recent shortage of new currency amid fears that the U.S. dollar's value was dropping. He claimed that international news of the dollar's declining value had worried Turkmen

ASHGABAT 00000559 002.3 OF 002

citizens, who then sought to trade in their savings in U.S. dollars for Turkmen manat.

MAJOR PROJECTS STILL TO MOVE FORWARD

15. (C) All planned construction projects and purchases, he said, are to go forward, including purchases of American tractors and earth moving vehicles, infrastructure projects such as roads, the North-South railway, Ashgabat airport, Avaza, the Turkmenbashi sea port, renovation of most electricity substations, and various socio-economic projects in the provinces. He said the government currently has no credit concerns or needs right now. The country has sufficient capital to pay for what it wants to do. As an example, he noted that sixteen planes had recently been ordered, and no credit had been required to purchase them.

16. (C) Development of the oil and gas sector is to continue moving forward as well, with significant expenditure to be devoted to it, he said. There are, for example, plans underway to significantly expand the country's capacity to produce and export liquefied natural gas, and to expand the capacity for oil refining as well. The government, he said, is still intent on drawing foreign investment for offshore Caspian oil and gas development, although the government has noticed that commercial and regional partners are more hesitant to invest significant sums now.

SEEKING TO DIVERSIFY THE ECONOMY

17. (C) Japarov indicated that there is a need to diversify the country's economy more. The government is planning on achieving this in part by promoting further investment cooperation with neighbor states such as Kazakhstan and Azerbaijan. He noted that there are also efforts underway to reduce the amount of land that is used to cultivate cotton in places like Balkan province, where water is very scarce, he said. Some farmers will be encouraged to grow a variety of other crops such as wheat.

18. (C) He noted the success of the U.S.-Turkmen trade

relationship, although the trade turnover numbers are modest, when no U.S.-made planes are purchased. Still, some 26 American companies are registered here now, including a legal firm, Japarov said. He mentioned the bilateral trade agreement, signed in the 1990s, between the United States and Turkmenistan, and suggested that perhaps it was time to consider signing a new agreement that takes Turkmenistan's new tax, trade and business laws into account.

¶9. (C) COMMENT: Japarov, whom post views as one of the (few) bright lights illuminating Turkmenistan's financial sector, understands the implications of issues such as the global financial crisis and the lack of a diverse economy. The larger question, then, is the degree and pace at which he convinces senior leaders of the need to change the way this government manages its financial books. The fact that this government does not plan to slow its spending or delay major construction projects could be a reflection of the limits of Japarov's influence. However, it is unlikely that the government would, in any case, acknowledge to outsiders the existence of financial challenges brought on by the global crisis. END COMMENT.

¶10. (U) DAS Krol cleared this cable.
MILES